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Republican Policy Committee

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Today's *New York Times* Demonstrates Urgent Need to Solve Medicare's Impending Crisis, Now

Today's *New York Times* front-page article (on the reverse side) once again reveals the Medicare Part A trust fund's uncontrolled hemorrhaging. It remains uncontrolled because the Clinton Administration decided to play "Medi-Scare" with Medicare last year. Clinton vetoed the plan from Congress that would have allowed it to grow at twice the rate of inflation and would have kept it solvent for the next generation. In contrast, President Clinton's latest unbalanced budget — his ninth, scored last week by CBO — would barely keep the current trust fund solvent through FY 2002.

- Medicare's Hospital Insurance trust fund, commonly known as "Part A," has lost $4.2 billion in the first half of FY96 [says the *New York Times,* citing government data].

- This compares with a loss in the first half of FY95 of $135 million, and the Clinton Administration's prediction that Part A would run a $45 million surplus for FY96.

- These losses indicate that Medicare's bankruptcy is even closer than the 2002 date the Administration reported April 3, 1995.

- Because the Administration has still not produced a report this year, we must rely on outside estimates. Budget Committee Chairman Domenici has stated Part A could be bankrupt by May of 2001; former chief HCFA actuary Roland King predicts bankruptcy as soon as late 2000.

- Clinton's latest budget would only push bankruptcy back a year beyond its last year's estimate. According to CBO, under his budget — without utilizing the gimmick of cost-shifting $60 billion to the taxpayer — Part A would be barely solvent in FY 2002 ($1.5 billion) and would be bankrupt by FY 2003.

- In contrast, Congress' Balanced Budget Act would have preserved Part A beyond 2010 — when Baby Boomers begin retiring — while allowing spending to grow at twice the inflation rate.

- While the Republican party in Congress wants to protect Medicare for the next generation, Clinton wants to abandon it to the next Administration.

New Medicare Trust Fund Data Show Unusually Large Shortfall

Program Is Solvent, but Gap Shows a Weakness

By ROBERT PEAR

/ASHINGTON, April 22 — Medi-re's Hospital Insurance Trust nd lost $4.2 billion in the first half the current fiscal year, according new Government data, which sug-st that the financial condition of program is worse than projected Administration officials last year.

The trust fund, which pays hospi-bills for the elderly and disabled, t money last year for the first e since 1972. But the loss for all of t year was only $35.7 million.

The new data show that the losses growing. In the first half of the rrent fiscal year, from October 5 through March of this year, the st fund spent $60.5 billion and took $56.3 billion, a shortfall of $4.2 lion, the Treasury said.

There is little chance that the trust nd will actually run out of money. still contains more than $120 bil-n, and Congress would almost rely act to rescue the program fore it ran out of money. But the w data provide fresh evidence at, after months of acrimonious bate between the White House and ongress, Medicare remains a budg-problem of immense and growing roportions.

Chris Jennings, a special assistant President Clinton for health poli-, said today that the new numbers ere not surprising. "They indicate e need to move forward, balance e budget and enact some changes Medicare that will strengthen the ust fund," he said. "Republicans d Democrats should work togeth-to address the problem."

In a letter to Congress last week, reasury Secretary Robert E. Rubin ggested that Congress and the Ad-inistration resume discussions to ach an agreement on Medicare d the budget.

Republicans proposed many anges in Medicare last year to lp control costs, but President linton said the changes would hurt neficiaries. Republicans may hesi-te to put forward new proposals ter they were bloodied in that bat-e. Representative Bill Archer, the exas Republican who is chairman the Ways and Means Committee, id, "The President preferred to are seniors and play politics in-ead of saving Medicare."

It is not entirely clear why the hospital trust fund is running out of money faster than expected. One factor, Administration officials said, is an unanticipated increase in the number of admissions of Medicare patients to hospitals, but that does not explain all of the discrepancy.

The new losses accelerate a trend that started several years ago, when spending by the hospital trust fund began to increase faster than the money coming into the fund. The Administration had predicted that the amount of money in the trust fund would increase by $4.7 billion in the 1995 fiscal year, which ended Sept. 30, but instead the trust fund spent $35.7 million more than it took in.

Likewise, the Administration predicted last April that the trust fund would take in $45 million more than it would spend in the current fiscal year. But that now appears highly unlikely. Treasury Department data show that the trust fund has lost money in five of the last six months.

In the first half of the last fiscal year, from October 1994 to March 1995, the trust fund lost $135 million.

Any trust fund money not immediately needed to pay hospital bills is invested in Government securities. The amount of such holdings has declined, to $126.1 billion on March 31 from $129.9 billion on Oct. 1, 1995.

If nothing is done to change the financing and design of Medicare, losses from the trust fund are expected to grow from year to year. Payroll taxes account for most of the trust fund's income, and no tax increases are scheduled under current law. Unless President Clinton and Congress arrive at a long-term budget deal, Federal officials said, there is no reason to expect a significant reduction in the rate of growth of Medicare spending.

But no such deal is in sight. In this election year, lawmakers and Administration officials are wary of any action that might offend elderly voters by restricting Medicare spending.

Last year, Republicans proposed vast changes in Medicare to slow the program's growth. But the proposals were included in a bill to balance the Federal budget, and Mr. Clinton vetoed that bill in December, saying it contained "the biggest Medicare and Medicaid cuts in history."

Republicans said their proposals were needed to prevent Medicare from going bankrupt, but Democrats said the changes would devastate the program and push beneficiaries into health maintenance organizations.

The new Treasury data do not indicate when Medicare's Hospital Insurance Trust Fund will run out of money. In April 1995, the Administration predicted that the trust fund would be depleted at some point from October to December 2002, but it now appears that the money could run out earlier because the trust fund is spending more than expected and is taking in less than expected.

Senator Pete V. Domenici, the New Mexico Republican who is chairman of the Budget Committee, said he believed that the trust fund would run out of money by May 2001.

Roland E. King, former chief actuary of the Health Care Financing Administration, which runs Medicare, said today that he believed the Hospital Insurance Trust Fund "will run out in late 2000 or early 2001."

Richard S. Foster, who succeeded Mr. King as chief actuary, said he could not discuss the financial condition of Medicare without permission from top officials at the Department of Health and Human Services, and such permission was not given today.

Under Federal law, the trustees of the Medicare trust fund, including four Administration officials, were supposed to submit a report to Congress on the financial condition of the program by April 1. But Administration officials say that report has been delayed because of Government shutdowns and snowstorms last winter and will probably not be issued until late May or early June.

Some Democrats have played down the significance of the losses from Medicare's Hospital Insurance Trust Fund. Representative Pete Stark, Democrat of California, said, "The past is littered with inaccurate forecasts of Medicare's demise." Moreover, he said, "The Democrats will not let Medicare go insolvent."

Hospital executives and Medicare officials said they were puzzled by the recent increase in admissions. James D. Bentley, senior vice president of the American Hospital Association, said tonight, "Hospital admissions of Medicare patients are rising more than could be explained by growth in the number of beneficiaries — but not enough to account for all of the unexpected increase in Medicare spending."